

Where Does The Money Come From?

Where Does the Money Go?



An Overview of the State's Revenues and Expenditures



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Office of Fiscal Analysis

Presentation to Legislative Internship Program

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Office of Fiscal Analysis Connecticut General Assembly



- ❖ We are a Non-partisan Professional Staff Office
- ❖ We Serve the Appropriations & Finance Committees, Legislative Leadership, Substantive Committees, Rank and File Legislators
- ❖ We Conduct Research on Programs, Budget Recommendations, and New Initiatives
- ❖ We Provide Legislative Oversight of State's Annual \$13 Billion Budget

OFA Staff Role



- Analyze Current Services Estimates, Track & Forecast Expenditure & Revenue Levels
- Develop Forecasting Models
- Develop Out-Year Expenditure & Revenue Projections
- Estimate Costs and Program Impact for All Legislative Budgetary Changes
- Record Legislative Intent
- Assist in Developing Alternative Proposals
- Analyze Fiscal Impact of All Bills & Amendments
- Prepare & Publish Budget Book Based on Final Action

STATE BUDGET- FY04



GENERAL FUND

\$12.452 BILLION



TRANSPORTATION FUND

\$898 MILLION



MASHANTUCKET PEQUOT AND MOHEGAN FUND

\$85 MILLION

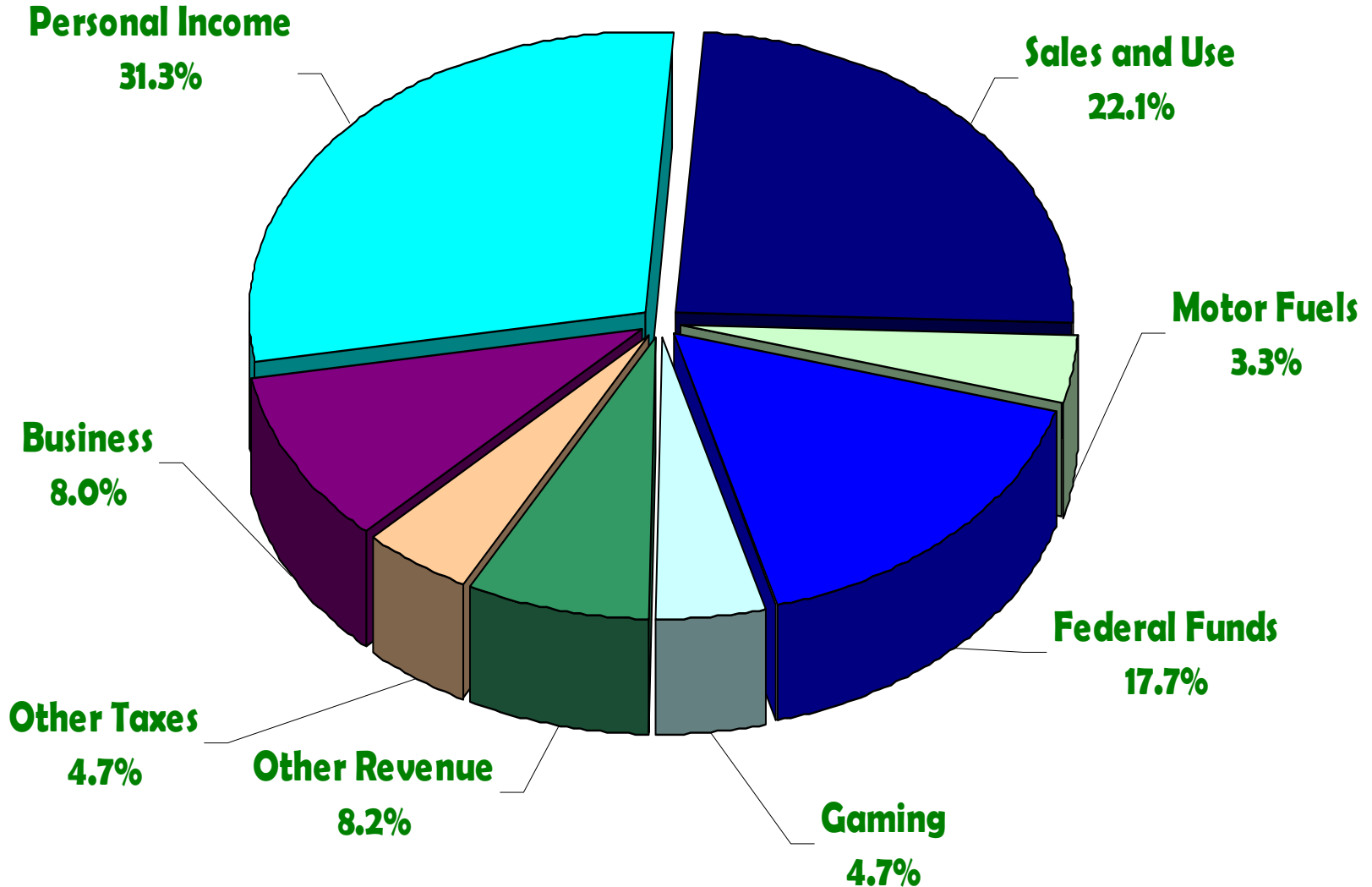


ALL OTHER FUNDS

\$86 MILLION

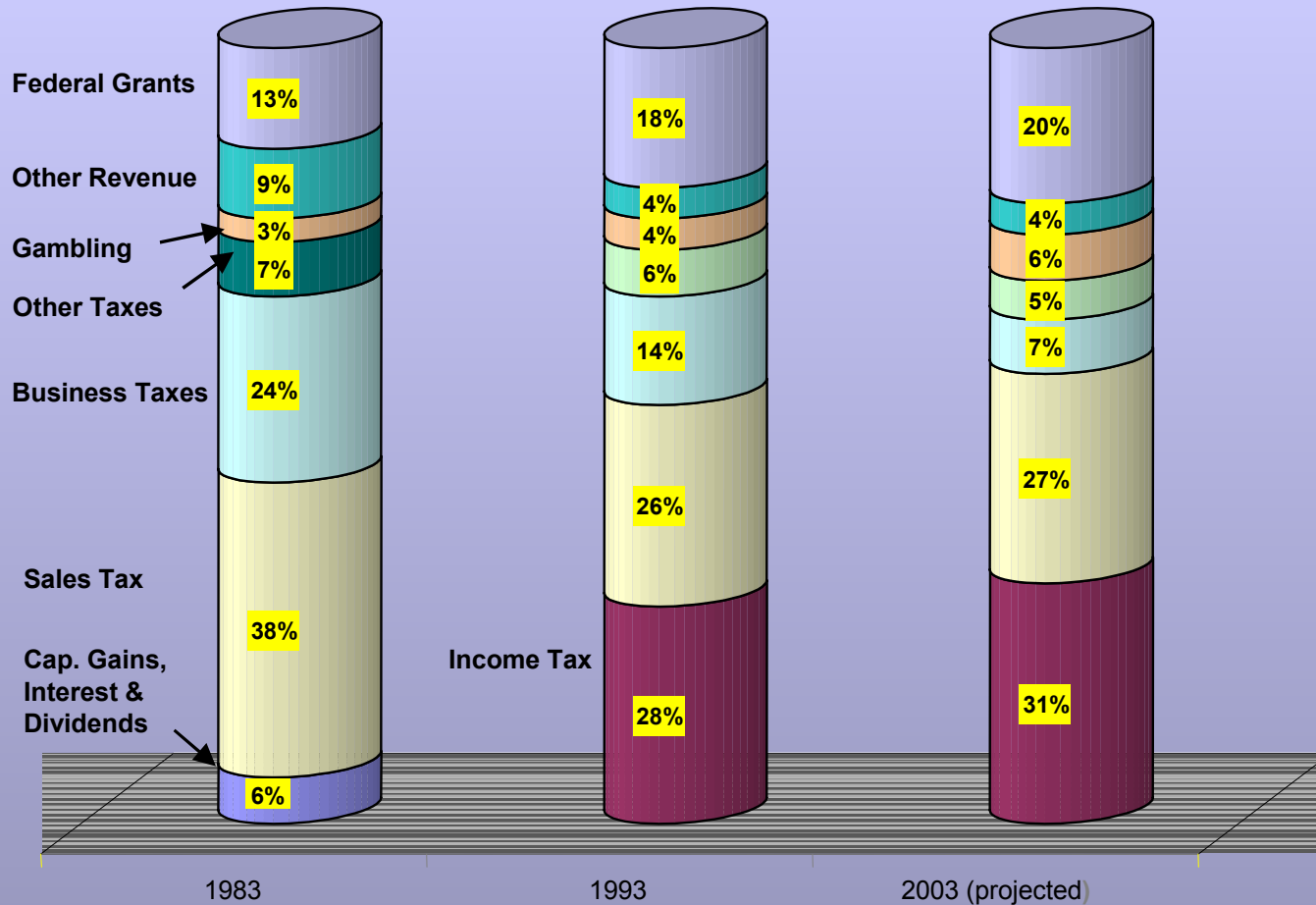
Source: Office of Fiscal Analysis

REVENUE
(All Appropriated Funds)
FY 04 \$13,525.4 Million



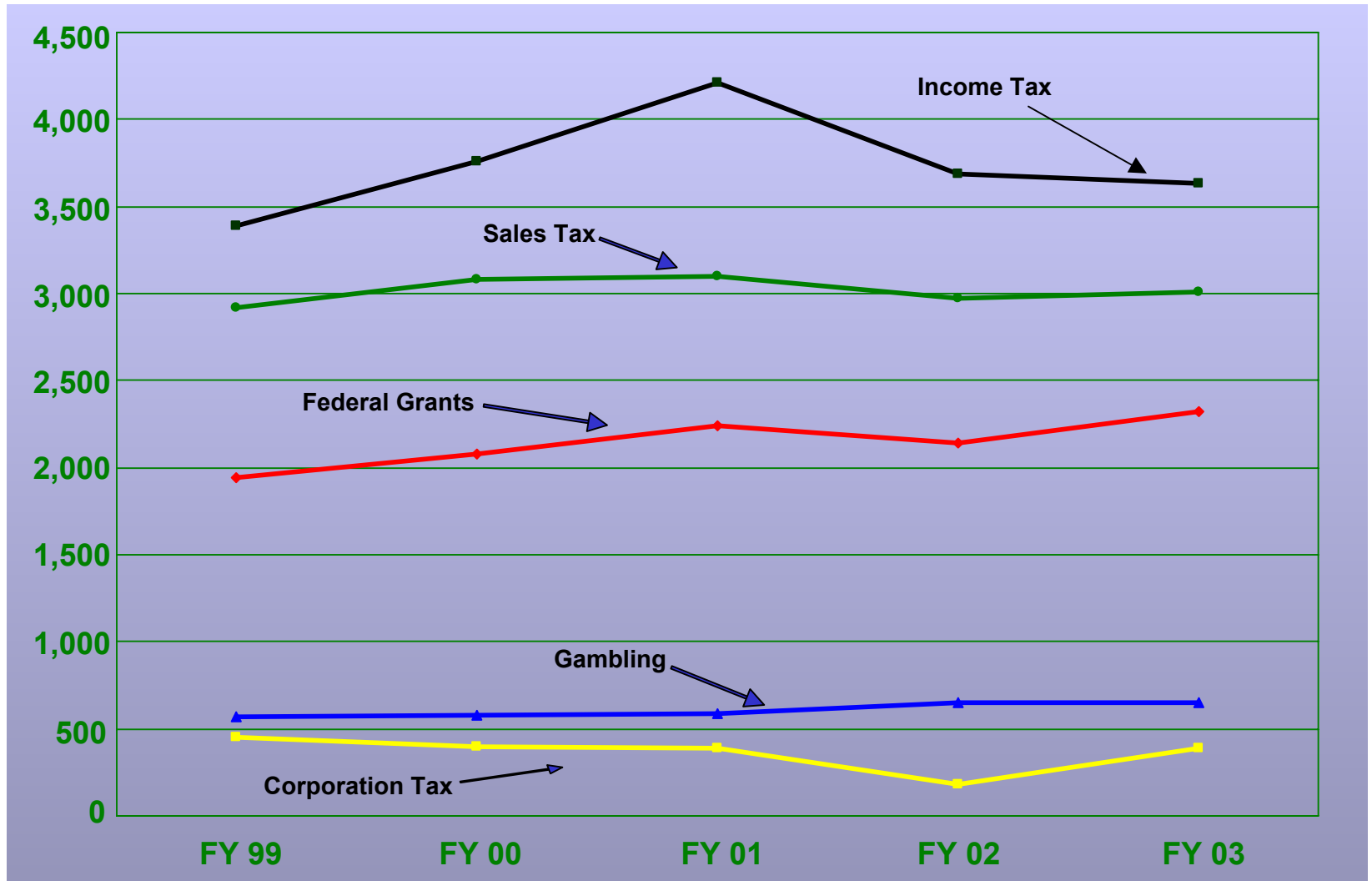
Source: Office of Fiscal Analysis

General Fund Revenue History



Source: Comptroller's Annual Report

Revenue Since 1999



Source: Comptroller's Report Various Years

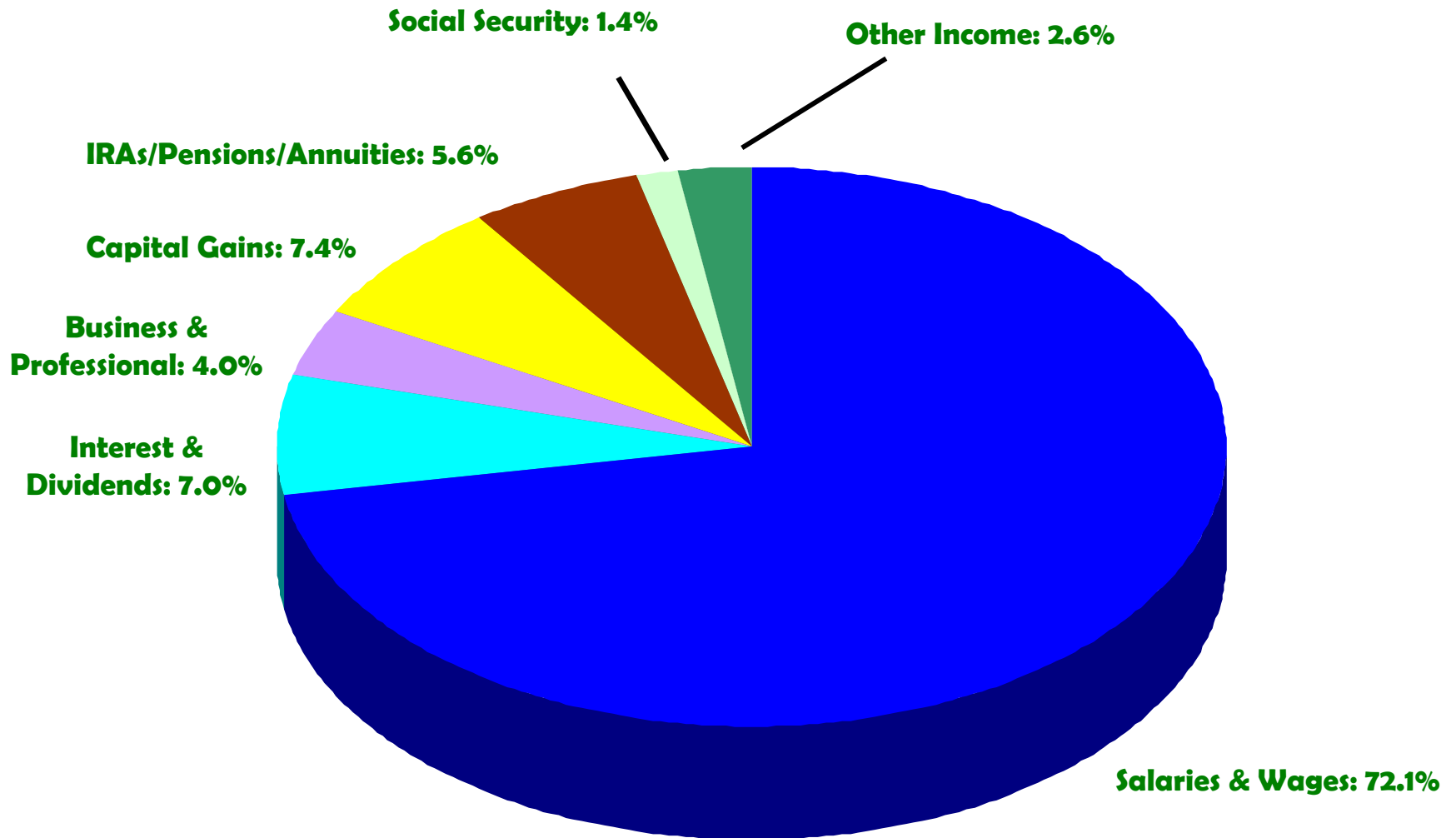
Income Tax Revenues



Total FY 03 Collections

\$3.6 billion

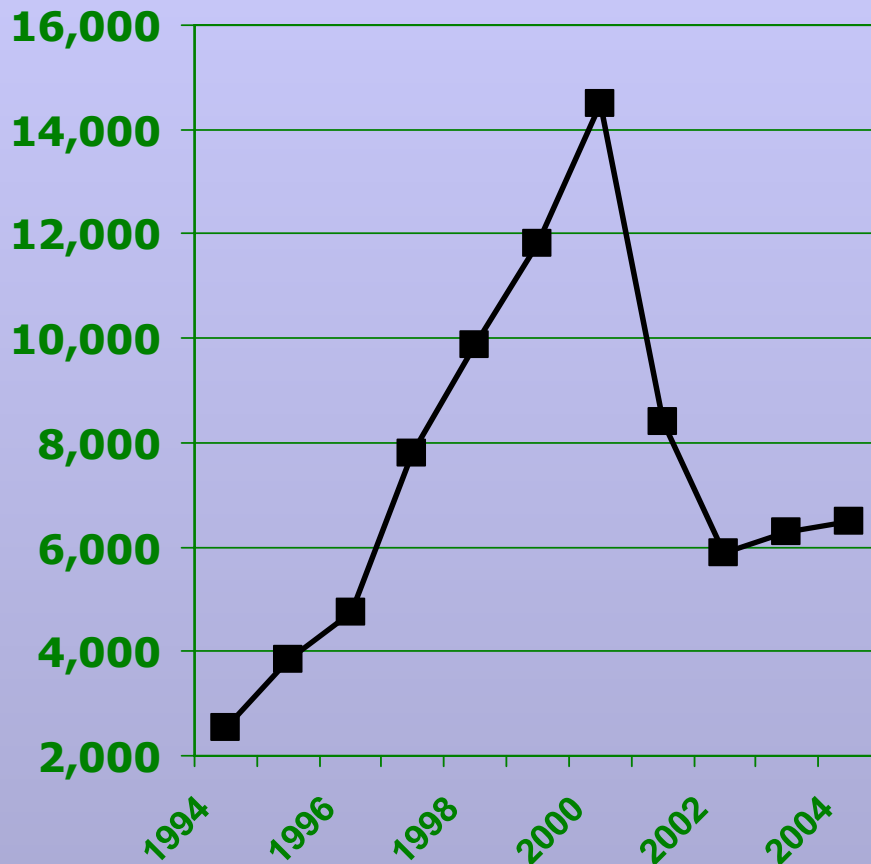
2001 Personal Income



Source: Department of Revenue Services

CT. Capital Gains

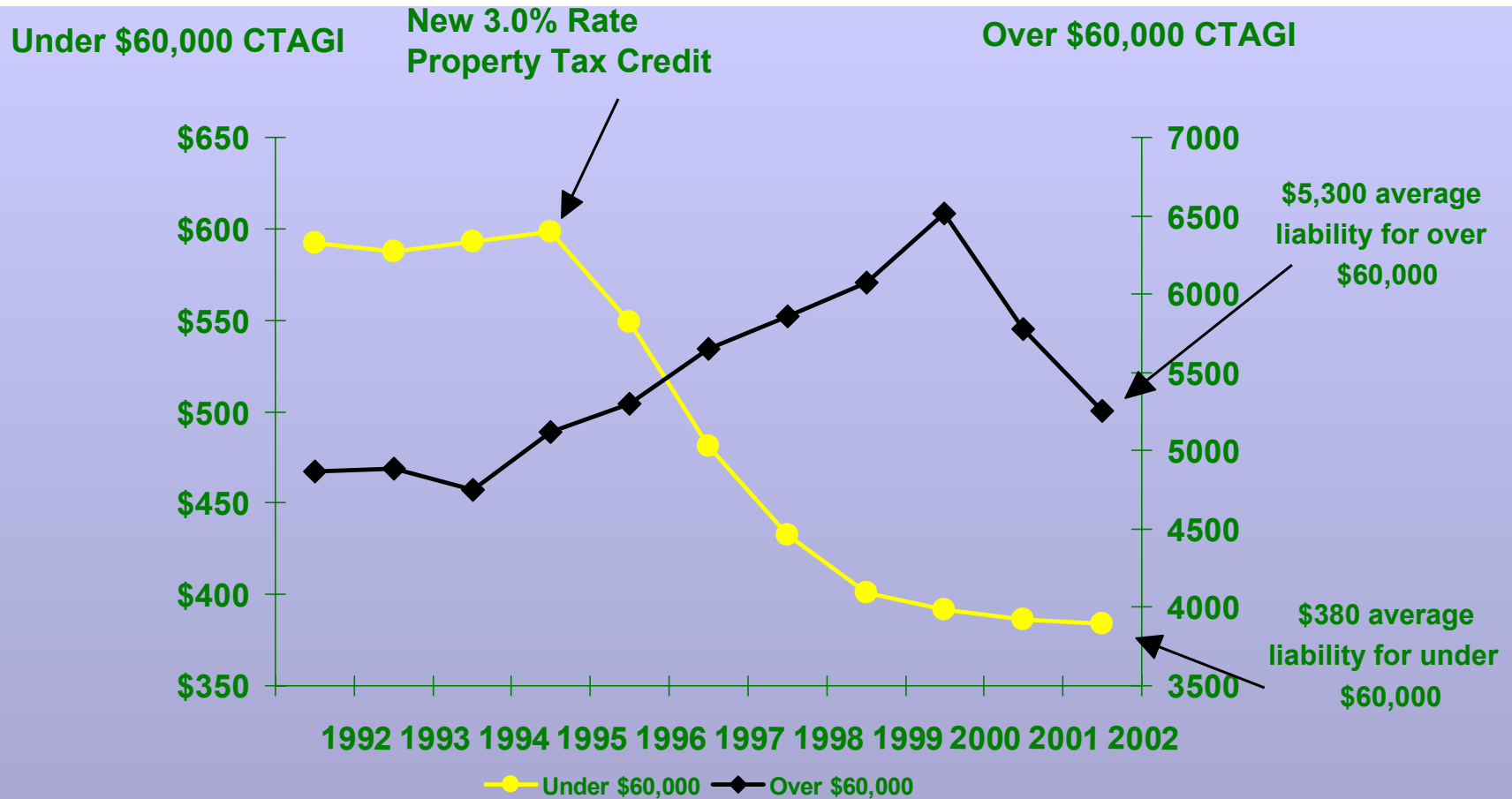
Total (in millions)



Annual % Change

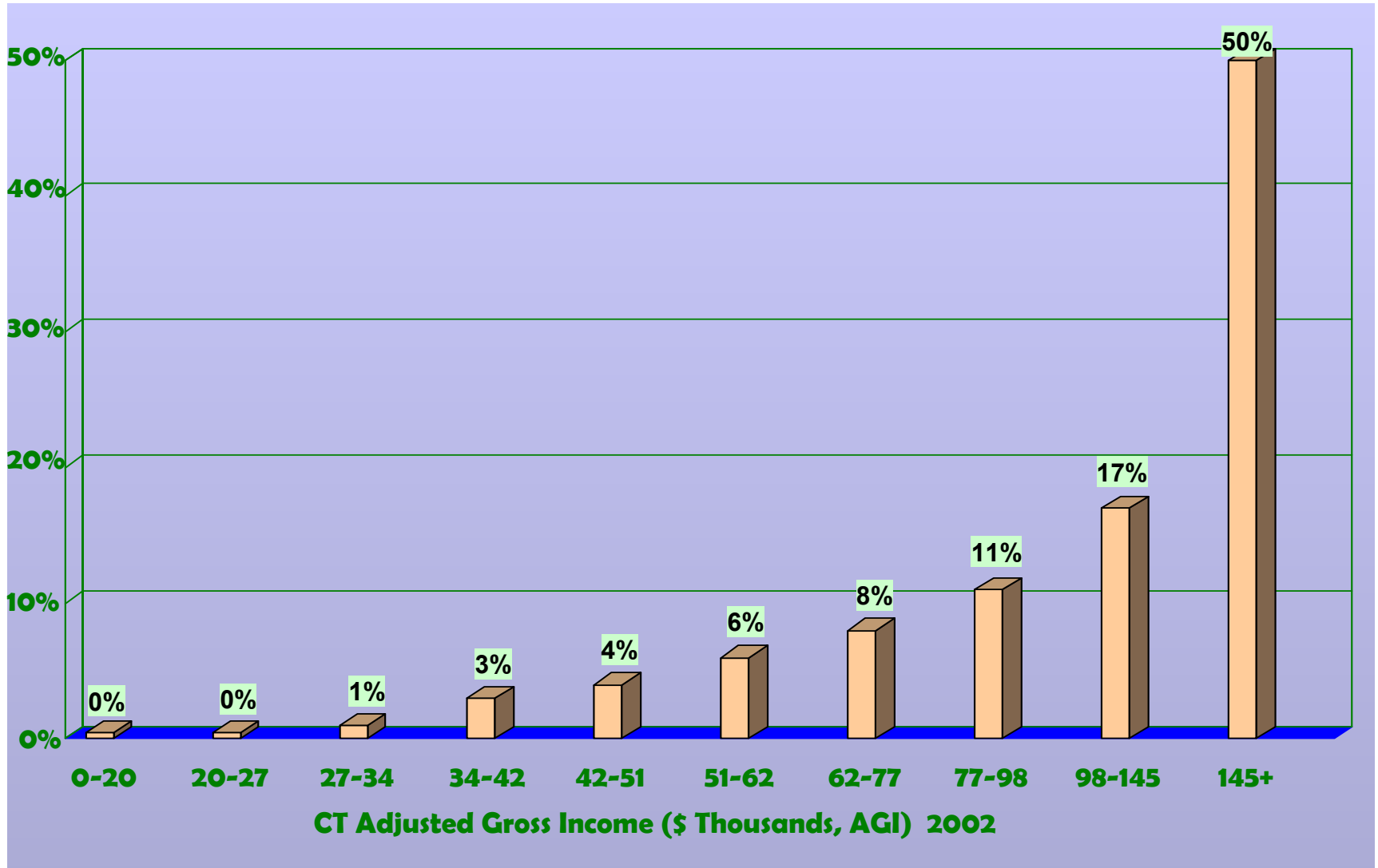
1995	50%
1996	23%
1997	65%
1998	27%
1999	21%
2000	23%
2001	-42%
2002Est.	-31%
2003Est.	8%
2004Est.	2%

Income Tax Liability Per Return



Source: Department of Revenue Services

Income Tax Revenues By Income Group

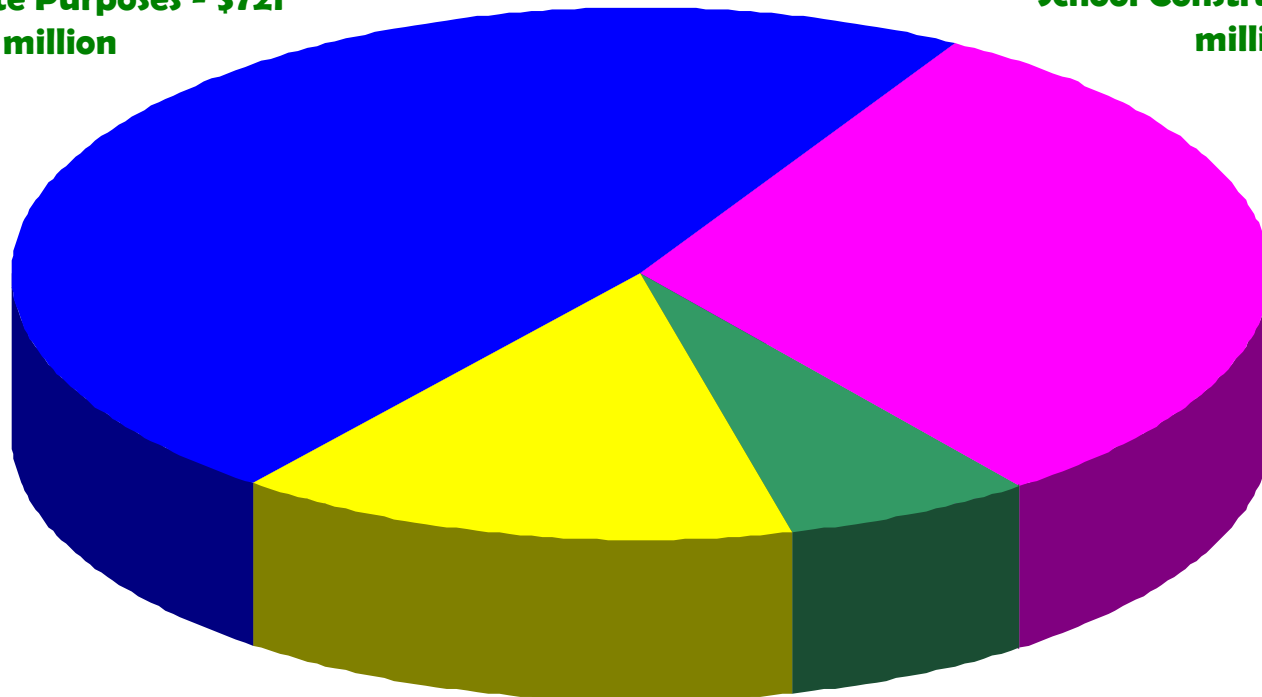


Source: Department of Revenue Services

Tax Exempt General Obligation (GO) Bond/Issuances \$1.5 Billion FY 03

**Other State Purposes - \$721
million**

**School Construction - \$472
million**



**Economic Recovery Notes -
\$219 million**

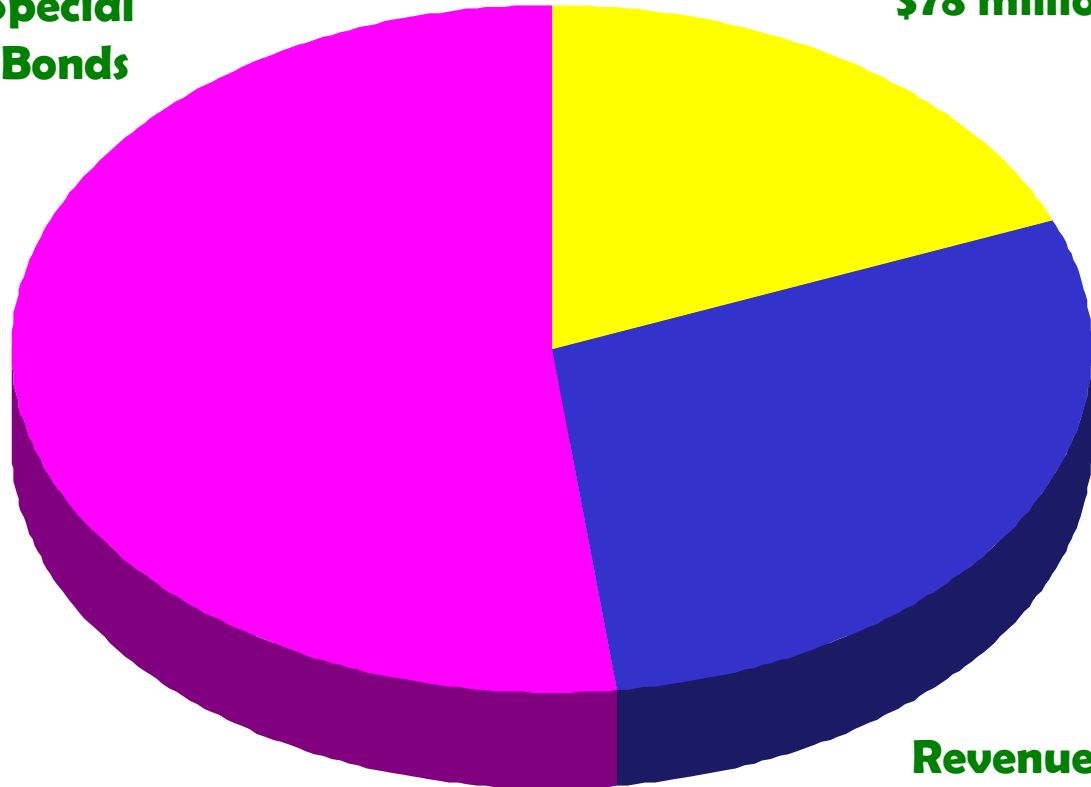
UConn 2000 - \$96 million

Other Bond Issuance - FY 03

\$414 Million

**Transportation Fund Special
Tax Obligation (STO) Bonds
\$215 million**

**Taxable Bonds
\$78 million**



**Revenue Bonds
\$121 million**

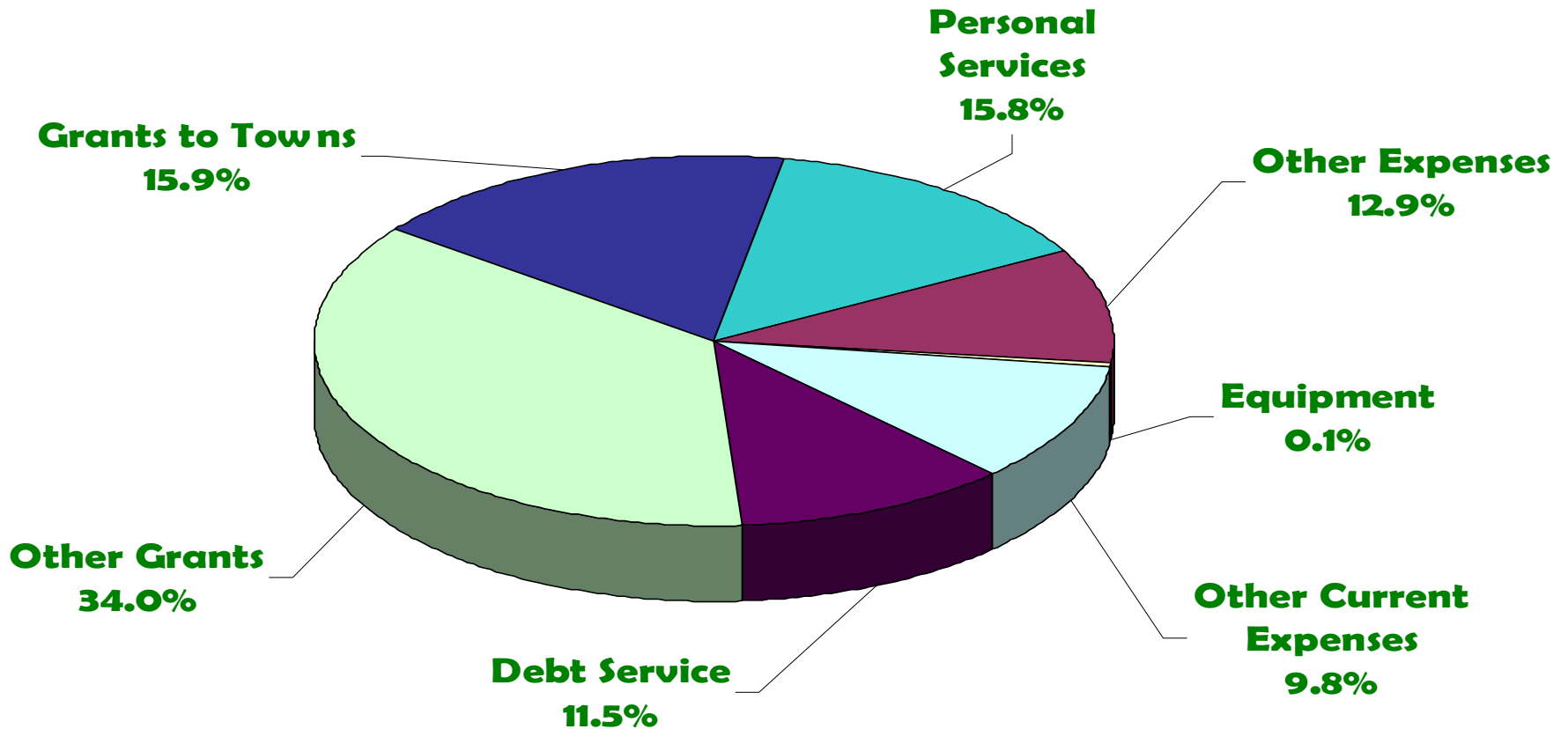
Source: State Treasurer

HOW THE STATE SPENDS ITS MONEY

All Appropriated Funds

By Character of Expenditure

FY 04 \$13,520.5 Million



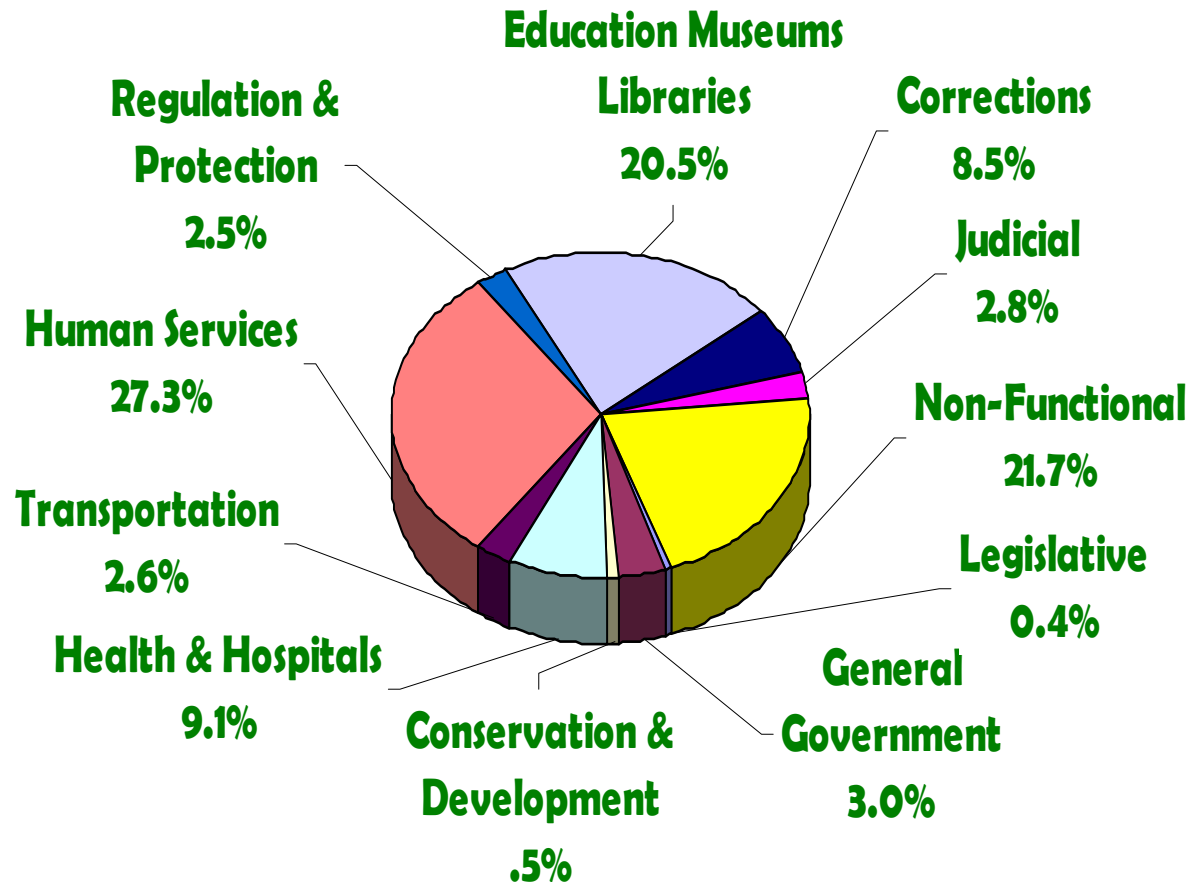
Source: Office of Fiscal Analysis

All Appropriated Funds

By Function of Government

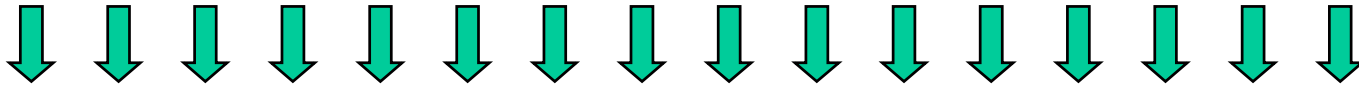
FY 04 \$13,520.5 Million

Source: Office of Fiscal Analysis



Overview of the Budget

Spending Cap

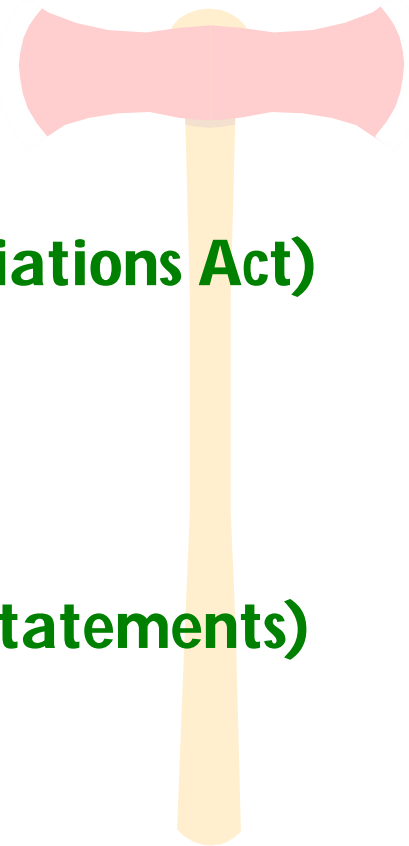


**Appropriated Funds =
Estimated Revenues**

Growth=Base Year x
5 Year Average Income Growth
(or) Prior Years Inflation Rate:
Which Ever is Greater

The Budget Process: Two Parts

- **Budget Formulation**
 - State Agency Requests
 - Governor & OPM
 - Legislature & OFA
 - Final Budget Action (Appropriations Act)
- **Budget Execution**
 - Appropriation
 - Quarterly Allotments
 - Oversight (Monthly Financial Statements)
- **Second Year of the Biennium**
 - Budget in Place
 - Expenditure/Revenue Estimates
 - Budget Revision



Overview of the Biennial Budget



- **First Year of the Biennium**

- Governor Proposes a Two Year Budget with Separate Appropriations for each Year
- Budget Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

- **Second Year of the Biennium**

- Governor Proposes Revisions to the Second Year of the Budget by Amending the Current Law
- Budget Revisions Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

Legislature's Budget Process

- **Budget Submitted to Legislature: Governor's Message**
 - **Appropriations Holds Hearings for Each State Agency**
 - **Subcommittees Review Budget Information**
 - **OFA Staff Provide Information**
 - **Analysis of Current Services & Options**
 - **Analysis of Governor's Budget Recommendations**
 - **Research on Questions Raised by Legislators, Interest Groups & the Public**
 - **Subcommittee Reports to the Appropriations Chairmen**
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- A faint, stylized illustration of three people in business attire (two men and one woman) sitting around a table, reviewing documents. The illustration is positioned behind the list of bullet points.

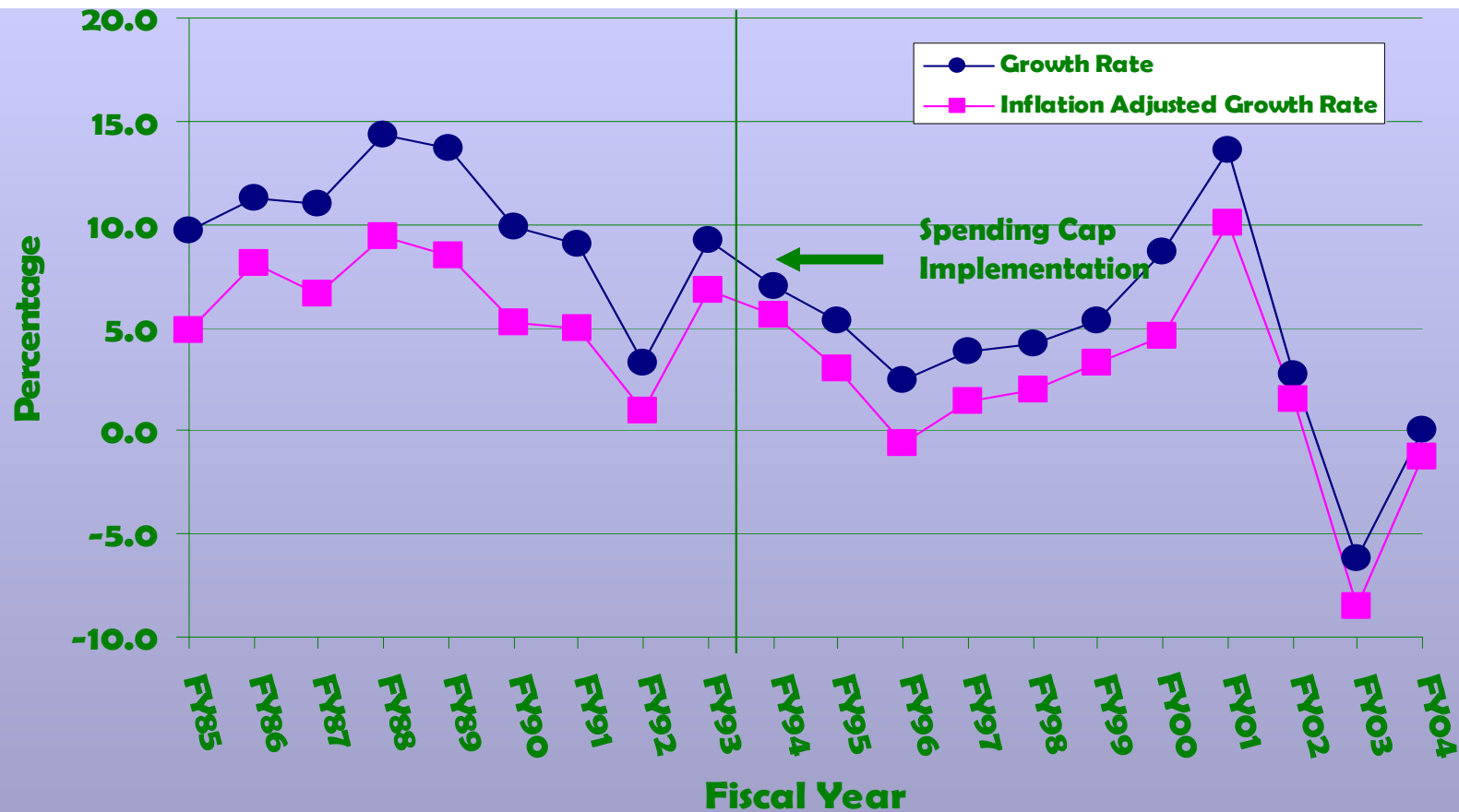
Legislature's Budget Process

- **Appropriations Chairmen Prepare Budget Recommendations**
 - **Budget Report Submitted to Full Appropriations Committee & Voted Upon**
 - **Finance Committee Produces Revenue Estimates & Capital Budget Bill**
 - **Appropriation & Finance Bills Submitted to House & Senate**
 - **Leadership and Executive Negotiations on Budget Prior to Passage**
 - **Governor's Signature or Veto (Returned to Legislature)**
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The Fiscal Note

- ✓ A Brief Statement of the Fiscal Impact Legislation Would Have on State and Local Government
- ✓ Prepared as an Objective Non-Partisan Statement by the Analyst with Budgetary Responsibility for Agency Fiscally Affected
- ✓ Required of Every Bill, Amendment, or Conference Report that Reaches the House or Senate Floor
- ✓ Fiscal Notes on Bills are Printed with Each File, Notes on Amendments are Delivered to the Floor
- ✓ Fiscal Notes Need Not be Requested, They Are Prepared Upon Receiving A Bill or Amendment from LCO
- ✓ Informal Costs Estimates are Prepared Upon Request If Time Permits

General Budget Expenditure Growth



Source: Office of Fiscal Analysis

Program Review and Investigations Committee Study of Budget Process September 2003

- **Incorporates a Long-term Perspective**
- **Links Budget to Broad Organizational Goals**
- **Focuses Decisions on Results**
- **Promotes Effective Communication Among Stake-Holders**
- **Provides Incentive to Improve Efficiency**

Quality Index: How Does Connecticut Score

Best Practices	CT Score	Perfect Score (Avg. Score)	No. States
<i>Balanced Budget Requirements</i>	16	20 (14)	
• Legislature enact balanced budget - constitutional	8	8	33
• Governor submit balanced budget - constitutional	0	7	28
• Governor sign balanced budget - constitutional	5	5	34
• Statutes require balanced budget be enacted, submitted, and/or signed	3	9	17
<i>Governor's Power to Reduce Spending</i>	20	25 (16)	
• Line item veto	10	10	42
• Authority to reduce budget without legislative approval	5	5	36
- Unrestricted authority to reduce	0	10	10
• Quarterly or monthly allotment process	5	5	27
<i>Stabilization Funds</i>	20	20 (19.7)	
• Rainy day fund	5	5	47
• Amount in reserve (balance as percent of expenditures times 3)	15	15	49
- Actual budget balance (2001) at or above 5%	5%	Range: 5% - 134.6%	37
<i>Understandable Budget and Finances</i>	20	35 (20)	
• Budget includes information on:			
- Program descriptions	2	2	45
- Caseloads that drive spending	2	2	41
- Number state employees	2	2	48
- Performance indicators/results	2	2	42
- Separate capital outlay presentation	2	2	50
• Use GAAP	0	10	16
• Use multi-year forecasting	5	5	32
• Publish multi-year forecasts	5	5	21
• Appropriate all non-federal funds	0	3	35
• Governor cannot spend unanticipated federal funds without legislative approval	0	2	18
<i>TOTAL</i>	76	100 (70)	50

Source of data: *Index of State Budget Process Quality, State Policy Reports*, Vol. 20, Issue 6, March 2002.

Where are we now?

How large will this year's deficit be?

How will the FY05 Budget be revised ?